

Message Text

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21

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 PM-04 NSC-05 SP-02 SS-15 CIAE-00

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AMEMBASSY LONDON

CINCPAC

C O N F I D E N T I A L SEOUL 8936

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: MPOL EIND EINV ETRD KS UK US

SUBJECT: COMPETITION FOR ROK DESTROYER ESCORT CONTRACT

1. GENERAL DYNAMICS POMONA DIVISION REP J. POUSSET VISITED EMBASSY NOVEMBER 18 TO PASS ON INFORMATION RE CURRENT GENERAL DYNAMICS EFFORTS TO WIN KOREAN CONTRACT FOR DESIGN OF NEW DESTROYER ESCORT, WHICH WOULD BE BUILT AT HYUNDAI SHIPYARDS IN KOREA WITH HIS CORPORATION'S TECHNICAL HELP.

2. HYUNDAI, ORIGINALLY GIVEN DESTROYER ESCORT (1500 TON CLASS) SHIP BUILDING CHARTER BY ROKG, FELT IT LACKED PROTOTYPE DESIGN AND CONSTRUCTION KNOW-HOW, AND LOOKED ABROAD FOR ASSISTANCE. AFTER REJECTING A U.S. GIBBS & COX DESIGN OFFER AS TOO COSTLY, HYUNDAI TURNED TO VOSPERS OF U.K., WHICH IS NOW FAR ALONG IN NEGOTIATING PACKAGE WITH KOREANS FOR DESIGN AND CONSTRUCTION OF FIRST VESSEL IN U.K.

3. POUSSET SAID THAT SENIOR OFFICIALS OF GENERAL DYNAMICS AND GIBBS & COX MET IN CALIFORNIA NOVEMBER 17, AND AGREED TO JOIN FORCES IN EFFORT TO CAPTURE DESTROYER ESCORT

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PROJECT. GENERAL DYNAMICS WILL ASSUME PRIME CONTRACTOR ROLE, WITH GIBBS & COX ACTING AS DESIGN SUBCONTRACTOR.

BOTH FIRMS FEEL U.K. BID UNREALISTICALLY LOW AND SURE TO ESCALATE IN MAJOR WAY IN FUTURE IF ACCEPTED BY HYUNDAI. THEY ARE PREPARED TO SEND HIGH-LEVEL TEAM HERE, AS SOON AS DESIRED BY KOREANS, TO COMPARE U.K. AND U.S. BIDS, BASED ON A SPECIFIC STATEMENT OF WORK. THEY ARE CONFIDENT THAT NEITHER VOSPERS, NOR ANOTHER UNIDENTIFIED U.K. FIRM THEY UNDERSTAND MAY ALSO BE IN COMPETITION, CAN UNDERBID THEM IN A TRUE "APPLES AND APPLES" COMPARISON OF RESPECTIVE OFFERS.

4. POUSSET CURRENTLY INVOLVED IN TRANSMITTING GENERAL DYNAMICS VISIT OFFER TO HIS ROKG AND HYUNDAI CONTACTS, WHO ARE FULLY AWARE HIS ORGANIZATION'S INTEREST IN SECURING CONTRACT. HE SAID HE WILL KEEP EMBASSY INFORMED RE DEVELOPMENTS.
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